

FISCAL NOTE

Bill #: HB0674

Title: State purchase of prescription drugs for mental health, medicaid patients

Primary Sponsor: Branae, G

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

Expenditures:

General Fund

Federal Special Revenue

FY 2004

Difference

\$172,790,024

(\$4,404,757)

FY 2005

Difference

\$172,508,196

(\$5,122,929)

Revenue:

Federal Special Revenue

(\$4,404,757)

(\$5,122,929)

Net Impact on General Fund Balance:

(\$172,790,024)

(\$172,508,196)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Public Health and Human Services

1. The Department of Administration (DOA) would buy drugs directly from drug wholesalers, and would be responsible for replenishing individual pharmacies based upon drugs dispensed.
2. The Department of Public Health and Human Services (DPHHS) would send, either weekly or bi-weekly, reports to DOA in order for them to replenish the supply of medication used at pharmacies by Medicaid, Medicare and Mental Health recipients.
3. The PDCS (Prescription Drug Claims System) is currently used to purchase prescription drugs for Medicaid recipients. This system would have to be re-constructed.
4. Based on the previous system configuration, the cost of reconstructing the PDCS system would be approximately \$1,000,000 in FY 2004; and would be eligible for federal 75 percent match for a general fund cost of \$250,000 (\$1,000,000 x 25%) and a federal fund cost of \$750,000 (\$1,000,000 x 75%).
5. Medicaid estimates a savings of approximately 10 percent through the purchase of drugs from a wholesaler. Based on FY 2002 pharmacy expenditures, there would be an annual savings of \$7,072,938.
6. The Medicaid match rates for FY 2004 are 27.12 percent general fund and 72.88 percent federal funds, and for FY 2005 are 27.57 percent general funds and 72.43 percent federal funds.
7. There would be a general fund savings of \$1,918,181 (\$7,072,938 x 27.12 percent) and \$5,154,757 (\$7,072,938 x 72.88 percent) in federal funds in FY2004; and for FY 2005 general fund savings would be \$1,950,009 (\$7,072,938 x 27.57 percent) and \$5,122,929 (\$7,072,938 x 72.43 percent) in federal funds.

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8. There is no state prescription drug benefit available to the Medicare population. This benefit would be funded with 100 percent general funds, with no federal matching funds.
9. There are approximately 79,121 Medicare recipients who are not also covered under Medicaid, and who will utilize the prescription drug benefit. These recipients receive an average of 45 prescriptions per year.
10. There will be approximately 3,560,445 prescriptions per year for Medicare patients (79,121 x 45).
11. The average cost for each prescription to the Medicare population is \$35.59.
12. Medicare administrative costs for claims processing would be \$1.00 per claim, or \$3,560,445.
13. In each year the increase in general fund expenses for providing Medicare prescriptions would be \$130,726,683 (3,560,445 x 35.59 = \$126,716,238 for drugs plus \$3,560,445 for claims processing).

Department of Administration

14. Department of Administration would issue a solicitation to contract directly with drug manufacturers for 6,000 line items.
15. Department of Administration would issue a solicitation to contract with a pharmaceutical distributor.
16. Local pharmacies would be signed up as members of participating network.
17. Local pharmacies would charge a rate of \$8.82 per prescription to fill the RX. (The current rate the State is charged by a private company to issue RX's for state wards at the Warm Springs hospital).
18. The fiscal impact of the actual cost of the drugs is unknown and would be paid for by other sources.
19. There would be 3.6 million RX's for Medicare recipients; 1.3 million RX's for Medicaid recipients; and 40,000 RX's for mental health recipients not in institutions for a total program impact of approximately 5 million RX's per year (data provided by DPHHS).
20. Department of Administration would hire a minimum of 2 FTE to administer the program of purchasing, monitoring and accounting of the program. (\$81,522 per year for 2 grade 15 FTE effective July 1, 2003.)
21. A different program would administer all accounting for the actual purchase of the RX's.
22. This bill would require a HB 2 appropriation.
23. This act terminates June 30, 2008.

FISCAL IMPACT:**DPHHS (Pgm 07)****Expenditures:**

	FY 2004 <u>Difference</u>	FY 2005 <u>Difference</u>
Operating Expenses	\$4,560,445	\$3,560,445
Benefits	<u>\$119,643,300</u>	<u>\$119,643,300</u>
TOTAL	\$124,203,745	\$123,203,745

Funding of Expenditures:

General Fund (01)	(\$128,608,502)	(\$128,326,674)
Federal Special Revenue (03)	<u>(4,404,757)</u>	<u>(5,122,929)</u>
TOTAL	\$124,203,745	\$123,203,745

Revenues:

Federal Special Revenue (03)	<u>(\$4,404,757)</u>	<u>(\$5,122,929)</u>
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	<u>\$128,608,502</u>	<u>\$128,326,674</u>
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Department of Administration (Pgm 06)

FTE	<u>2.00</u>	<u>2.00</u>
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Expenditures:

Personal Services	\$81,522	\$81,522
Operating Expenses	<u>44,100,000</u>	<u>44,100,000</u>
TOTAL	\$44,181,522	\$44,181,522

Funding of Expenditures:

General Fund (01)	<u>\$44,181,522</u>	<u>\$44,181,522</u>
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	<u>(\$44,181,522)</u>	<u>(\$44,181,522)</u>
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LONG-RANGE IMPACTS

The additional costs would continue until the program ends in FY2008.